

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

TRSE-00 INT-05 FEA-01 DOTE-00 EB-07 FMC-01 SAL-01

CG-00 DLOS-06 OES-06 /084 W
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FM AMEMBASSY NASSAU

TO SECSTATE WASHDC PRIORITY 8383

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E.O. 11652: N/A

TAGS: EWWT

SUBJ: PROPOSED GCOB TO LEVY LIGHT DUES

1. A BILL PROPOSED BY THE MINISTRY OF TRANSPORTATION TO LEVY LIGHT DUES ON SHIPS WAS SIGNED BY THE GOVERNOR GENERAL ON JULY 5 AFTER PASSING THE HOUSE ON MAY 19 AND THE SENATE ON JUNE 3. THE BILL WILL NOT BE BROUGHT INTO FORCE, HOWEVER, UNTIL THE MINISTRY ISSUES AN APPOINTED DAY NOTICE. THE MINISTRY HAS NOT AS YET DETERMINED THAT DATE. A COPY OF THE ACT CALLED THE LIGHT DUES ACT, 1976 WILL BE AIRPOUCHED.

2. THE NEW LAW CALLS FOR A LIGHT DUES TO BE LEVIED ON ALL SHIPS WHATEVER PASSING THROUGH THE WATERS OF THE BAHAMAS EXCEPT SHIPS BELONGING TO THE GOVERNMENT AND EXEMPTED SHIPS. THE MOST IMPORTANT OF THE EXEMPTED SHIPS ARE THOSE TRANSSHIPPING CRUDE OIL THROUGH THE BURMAH FACILITY AT FREEPORT WHICH IS 51 PERCENT GOVERNMENT OWNED. OTHER SHIPS EXEMPTED ARE: THOSE OWNED AND OPERATED BY FOREIGN GOVERNMENTS FOR PUBLIC PURPOSES PROVIDING THEY ARE NOT CARRYING CARGO OR PASSENGERS FOR REWARD; BOATS REGISTERED UNDER THE BOAT REGISTRATION ACT (CHAPTER 289); BAHAMIAN OWNED PRIVATE PLEASURE YACHTS;

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FOREIGN OWNED PRIVATE PLEASURE YACHTS OF 20 TONS OR LESS;

SHIPS WHICH ENTER PORTS FOR EMERGENCY REASONS; SHIPS OF 100 TONS OR LESS.

3. THE SCALE OF DUES IS CALCULATED ON BASIS OF A PER TON PER VOYAGE FOR THE FIRST TWELVE VOYAGES PER ANNUM AND FREE THEREAFTER; THE RATES ARE AS FOLLOWS: CRUISE SHIPS - 1C; OIL TANKERS - 4C. SHIPS OVER 100 TONS BUT LESS THAN 500 TONS ARRIVING FROM OUTSIDE THE BAHAMAS - 2C; SHIPS EXCEEDING 500 TONS ARRIVING FROM ANY PORT OUTSIDE THE BAHAMAS - 4C; FOREIGN OWNED PLEASURE YACHTS OVER 20 TONS ARRIVING FROM OUTSIDE THE BAHAMAS - DOLS 5.00 PER VOYAGE (NOT BASED ON TONNAGE).

4. DURING VISIT TO FREEPORT AMB AND EMBASSY ECON OFFICER SPOKE WITH HEAD OF BAHAMAS OIL REFINING COMPANY (BORCO) AND CHEVRON (HALF OWNER OF BORCO) WHO ARE GREATLY DISTURBED BY LEGISLATION BECAUSE: (A) IT WAS OBVIOUSLY DESIGNED AS REVENUE RAISER WITH NO THOUGHT AS TO BROADER IMPACT; (B) NO CONSULTATION OR EVEN ADVISEMENT OF LEGISLATION WAS MADE WITH PRIVATE COMPANIES CONCERNED; (C) LEGISLATION IS DISCRIMINATORY AGAINST AMERICAN OWNED BORCO AS PARTIALLY GCOB OWNED BURMAH TERMINAL WOULD BE EXEMPT; (D) IT PLACES BAHAMIAN REFINERIES AND TERMINALS AT COMPETITIVE DISADVANTAGE WITH THOSE LOCATED ELSEWHERE IN THE CARIBBEAN.

5. IN A LETTER ADDRESSED TO THE PERMANENT SECRETARY OF TRANSPORTATION BORCO IN ADDITION TO MAKING ABOVE POINTS REQUESTS THAT AN EXEMPTION BE MADE FOR SHIPS CALLING SOLELY FOR BUNKERS, INCLUDING WATER, AND/OR SHIPS' STORES (LETTER BEING POUCHED WITH COPY OF ACT).

6. IN MEETING JULY 2 JOHN KIMBALL (CONSULTANT TO MR. CAREY OF NEPCO - HALF-OWNER OF BORCO) DISCUSSED CONTENTS OF LETTER WITH THE TRANSPORTATION MINISTER AND PERMANENT SECRETARY. BOTH OFFICIALS SEEMED UNFAMILIAR WITH THE ACT AND THOUGHT THAT IT WAS ALREADY ENFORCED I.E. THAT CUSTOMS WAS ALREADY COLLECTING DUES. (INFORMATION IN PARAGRAPH 1 CONCERNING APPOINTED DAY NOTICE WAS OBTAINED FROM PERMSEC BY EMBASSY ECON OFFICER ON JULY 7 SO THEY HAVE OBVIOUSLY DONE SOME HOMEWORK).

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UM MINISTER'S RESPONSE TO POINTS MADE BY LETTER AND KIMBALL WAS RECEPTIVE. HE SAID HE WOULD: (A) LOOK INTO RATE SCALE TO MAKE SURE IT WAS NOT SO HIGH AS TO HURT BAHAMAS COMPETITIVE POSITION IN CARIBBEAN; (B) AS TO BURMAH'S EXEMPTION HIS UNDERSTANDING WAS THAT ONLY BURMAH OWNED VESSELS WERE EXEMPT BUT HE WOULD VERIFY AND GET BACK TO THEM ASAP; (C) HE WAS SYMPATHETIC TO BORCO'S REQUEST FOR EXEMPTION

FOR SHIPS CALLING SOLELY FOR BUNKERS, INCLUDING WATER AND/OR SHIPS' STORES AND WOULD SEE WHAT COULD BE DONE; (D) ALTHOUGH ACT CALLED FOR LEVYING DUTY ON SHIPS QUOTE PASSING THROUGH UNQUOTE BAHAMIAN WATERS THEY HAD NO PLANS TO DO SO AS YET BUT WOULD ONLY COLLECT ON SHIPS ENTERING PORTS. HE PROMISED TO GET BACK TO KIMBALL IMMEDIATELY ON ABOVE ISSUES.

8. EMBASSY COMMENT: BILL WAS OBVIOUSLY DRAFTED AS REVENUE MEASURE WITH LITTLE THOUGHT TO BROADER ECONOMIC OR POLITICAL CONSIDERATIONS. EMBASSY WOULD APPRECIATE INFORMATION CONCERNING US TONNAGE TAX AS IT IS EMBASSY'S UNDERSTANDING THAT SHIPS OF COUNTRIES WHICH DO NOT LEVY SUCH A TAX ARE EXEMPT FROM US TAX. EMBASSY WOULD ALSO LIKE TO KNOW DEPARTMENT'S VIEWS CONCERNING POSSIBLE USG DEMARCHE TO GCOB CONCERNING DISCRIMINATORY ASPECTS OF ACT IF MINISTER IS UNABLE TO SATISFY BORCO'S REQUEST.
TAYLOR

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Disposition Date: 28 MAY 2004
Disposition Event:
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